

VZCZCXYZ0031  
OO RUEHWEB

DE RUEHJM #2443 1651426  
ZNR UUUUU ZZH  
O 141426Z JUN 06  
FM AMCONSUL JERUSALEM  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2787  
INFO RUEHXX/ARAB ISRAELI COLLECTIVE PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUEHBS/USEU BRUSSELS PRIORITY

UNCLAS JERUSALEM 002443

SIPDIS

SENSITIVE  
SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR  
WILLIAMS/GREENE/WATERS/WAECHTER; NSC FOR  
ABRAMS/DORAN/LOGERFO; TREASURY FOR NUGENT/ADKINS

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [KWBG](#)  
SUBJECT: WHERE IS THE BOTTOM? PALESTINIAN STOCK MARKET  
CONTINUES TO PLUMMET

REF: JERUSALEM 2059

¶1. (SBU) Palestinian stock prices continued to fall, with the Al-Quds Index losing 4.57 percent in the week ending June 8 and closing at 540.69. The Average Daily Trading Volume (ADTV) reached USD 2.89 million compared to USD 4.01 million four weeks ago. Lotos Investment analyst Waleed Makkieh told EconOff that the Palestinian Stock Exchange (PSE) had continued its descent June 13, as a result of the violent clashes between Fatah and Hamas June 12 and June 13. He said that many investors were "averaging" their portfolios and waiting for stock prices to reach bottom in order to buy stocks at the lower prices and "average out" their original purchase of stocks at higher prices only a few months ago.

¶2. (SBU) Makkieh said Paltel had taken a heavy hit reaching 4.33 Jordanian Dinars (JD) (USD 6.11) June 13 down from a 52-week high of 16.40 JD (USD 23.15). Paltel stock began to tumble after the Palestinian Legislative Council (PLC) elections in January and continued to fall after the formation of the Hamas-led government.

¶3. (SBU) International investors had informed Makkieh that they were liquidating their position in the PSE only temporarily and would use their resources to invest in other timely opportunities. Makkieh added that they did not feel their return was evenly matched to the risk from political instability in the West Bank and Gaza. However, in the week of June 11, some large institutional investors had been buying heavily in the PSE and planned to hold long-term positions.

¶4. (SBU) Makkieh commented that some investors were deterred from investing in the PSE because the markets were shallow and prevented investors from easily liquidating their positions. He said it could take at least a week for some investors to sell their stocks. Makkieh predicted that the market has not yet hit bottom, but will continue to fall as the political and security situation in the West Bank and Gaza worsens.  
WALLES